

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 OPIC-03
SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15
DODE-00 NSCE-00 SSO-00 ICAE-00 INRE-00 XMB-02
/102 W

-----057532 100730Z /17

O R 100530Z MAY 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 1855
INFO AMCONSUL ISTANBUL
AMEMBASSY PARIS
AMCONSUL IZMIR
AMCONSUL ADANA

C O N F I D E N T I A L ANKARA 3575

USOECD

E.O. 11652: GDS
TAGS: EFIN, OECD, TU
SUBJ: NONGUARANTEED TURKISH COMMERCIAL ARREARAGES

REF: (A) ANKARA 3479; (B) IMF DOCUMENT DM/77/105, "TREATMENT
OF NONGUARANTEED DEBT IN MULTILATERAL DEBT RENEGOTIATIONS"

1. SUMMARY. EMBASSY IS CONCERNED THAT MATTER OF NONGUARANTEED
TURKISH COMMERCIAL ARREARAGES WILL BECOME INCREASINGLY TROUBLE-
SOME AS VARIOUS SCHEMES TO RELIEVE OTHER TURKISH DEBT BECOME
KNOWN IN INTERNATIONAL TRADING COMMUNITY. WE RECOMMEND THAT
SUBJECT BE VETTED AT MEETING OF OECD CONSORTIUM FOR TURKEY,
MAY 17, AND THAT REFERENCE TO EQUITABLE TREATMENT OF NONGUARANTEED
COMMERCIAL DEBT BE MADE IN MULTILATERAL AGREEMENT TO BE NEGOTIATED
ON RESCHEDULING OF TURKEY'S OFFICIAL AND OFFICIALLY-GUARANTEED
DEBT. END SUMMAR.

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2. THERE SEEMS TO US TO BE GOOD LIKELIHOOD THAT SIZEABLE NUMBER
OF AMERICAN EXPORTERS WHO HAVE BEEN AWAITING TRANSFERS UP
TO TWO YEARS FOR AMOUNTS DUE FOR SHIPMENTS ALREADY MADE OR INVENTORY
COMMITTED TO TURKISH BUYERS WILL BEGIN TO PRESS HARD FOR
SATISFACTION FROM TURKS AS THEY LEARN OF PROGRAMS TO RESCHEDULE
TURKISH BANK DEBTS, DEBTS TO GOVERNMENTS, DEBTS TO OIL SUPPLIERS,
ETC. SMALLER US EXPORTERS OR THOSE WITHOUT LONG-TERM INTEREST

IN MAINTAINING POSITION IN TURKISH MARKET ARE LIKELY TO RESORT IN FRUSTRATION TO LEGAL ACTION, OR TO PRESS THEIR CONGRESSIONAL REPRESENTATION FOR ASSISTANCE. THIS RAISES QUESTION OF POSSIBLE APPLICABILITY OF HICKENLOOPER AMENDMENT (SECTION 620 (E), FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED). CONSEQUENCES OF SUCH ACTION IN CONTEXT OF ALREADY STRAINED BILATERAL RELATIONS, ADMINISTRATION EFFORTS TO OBTAIN LIFTING OF ARMS EMBARGO, AND CURRENT EXTREME SENSITIVITY OF TURKS TO ANY SUGGESTION OF PRESSURE OBVIOUSLY WOULD BE UNDESIRABLE.

3. WE UNDERSTAND, ALTHOUGH HARD INFORMATION ON THIS CATEGORY OF TURKISH INDEBTEDNESS IS ESPECIALLY DIFFICULT TO OBTAIN, THAT TURKISH NON-GUARANTEED COMMERCIAL ARREARS ARE NOW LIKELY TO BE IN RANGE BETWEEN \$500 - 1,000 MILLION. SHARE OF THIS OWED TO AMERICAN COMPANIES IS PROBABLY LARGE ALTHOUGH NOT THE LARGEST, WHICH PROBABLY IS WEST GERMAN AND POSSIBLY OTHER EUROPEAN. SO FAR AS WE KNOW LITTLE ATTENTION HAS BEEN GIVEN THIS SUBJECT (ALTHOUGH WE WERE ENCOURAGED BY TURKISH INQUIRY REPORTED REFTEL). ONLY SPECIFIC PLAN WE ARE AWARE OF TO BEGIN CLEARING UP THESE OBLIGATIONS IS "CONSTRUCTIVE REMITTANCES" SCHEME PROPOSED BY CITICORP WHICH GOT HAS YET TO ACCEPT. TURKS THEMSELVES ARE HOPING THAT OECD CONSORTIUM WILL RESCHEDULE NON-GUARANTEED COMMERCIAL ARREARS. AGREEMENT WITH IMF ON STANDBY CREDIT CALLS FOR TURKS TO COME UP WITH A SCHEDULE BY NOVEMBER 1 FOR REPAYMENT OF THESE ARREARAGES. QUESTION REMAINS UNANSWERED AND UNANSWERABLE AS TO WHEN PAYMENTS ACTUALLY WILL BEGIN. CONFIDENTIAL

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3. WE RECOGNIZE THAT SUBJECT OF NON-GUARANTEED COMMERCIAL ARREARAGES IS A COMPLEX ONE INVOLVING SMALL BODY OF PRECEDENT IN INTERNATIONAL FINANCIAL PRACTICE TO DRAW ON. WE NEVERTHELESS BELIEVE IT IS IN OUR INTEREST, AND IN LONG RUN IN TURKS' AS WELL, FOR THIS PROBLEM TO BE THOROUGHLY AIRD IN FORTHCOMING MEETING OF OECD CONSORTIUM SCHEDULED TO BEGIN MAY 17. ALTHOUGH PROBLEM MAY IN END BE INTRACTABLE ONE, WE NEVERTHELESS BELIEVE THAT THERE SHOULD BE REFERENCE IN MULTILATERAL DEBT RESCHEDULING AGREEMENT TO BE WORKED OUT IN PARIS MAY 17-19 TO EQUITABLE TREATMENT BY TURKS OF COMMERCIAL DEBT NOT GUARANTEED BY GOVERNMENTS. THIS REFERENCE WOULD SERVE TO (1) PUT TURKS ON NOTICE WITH REGARD TO IMPORTANCE WE AND PRESUMABLY OTHER CREDIT GOVERNMENTS ATTACH TO IT, AND (2) DEMONSTRATE TO AMERICAN COMPANIES AFFECTED THAT WE ARE CONTINUING TO MAKE VIGOROUS EFFORT IN THEIR BEHALF AND THUS PERHAPS PREEMPT THEIR OWN INITIATIVES ALONG LINES SUGGESTED IN PARAGRAPH 2 WHICH WOULD SERVE ONLY TO COMPLICATE FURTHER AN ALREADY DIFFICULT SITUATION.

4. DEPARTMENT AND OTHERS MAY FIND IT USEFUL TO REFER TO AN IMF DOCUMENT WHICH REVIEWS VARIOUS CLAUSES CONCERNING DEBT NOT GUARANTEED BY GOVERNMENTS WHICH HAVE BEEN INCLUDED IN PAST

MULTILATERAL RESCHEDULING AGREEMENTS. THE PURPOSE OF SUCH CLAUSES HAS BEEN TO PROVIDE FOR COMPARABILITY OF TREATMENT OF SUCH DEBT WITH OFFICIAL DEBT (IN TURKEY'S CASE COMPARABILITY DOES NOT SEEM POSSIBLE) OR AT LEAST TO STATE THE OBLIGATION OF THE RESCHEDULING GOVERNMENT TO HONOR THIS DEBT. DOCUMENT IS DM/77/105, NOVEMBER 7, 1977, "TREATMENT OF NONGUARANTEED DEBT IN MULTILATERAL DEBT RENEGOTIATIONS". SPIERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CLAIMS, ECONOMIC CONDITIONS, BUSINESS FIRMS, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ANKARA03575
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780197-1206
Format: TEL
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780576/aaaacmqj.tel
Line Count: 124
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 57fab0a1-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 ANKARA 3479
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2742019
Secure: OPEN
Status: NATIVE
Subject: NONGUARANTEED TURKISH COMMERCIAL ARREARAGES
TAGS: EFIN, TU, US, OECD
To: STATE USOECD
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/57fab0a1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014